CIBC Wood Gundy

CIBC World Markets Inc.
606 – 5811 Cooney Rd
Pacific Business Centre
Richmond BC V6X3M1

Tel: (604) 270-6457
Fax: (604) 273-7684
Toll Free: 1-800-341-9909

December 2013

Investment Themes and a Few Sundry Financial Tips As We Head Towards 2014 (plus a funny headline to kick things off)

I kept this headline from one of the major news services last winter and meant to share it with clients a while back. Better late than never.

> **"Although Japan unveiled a 116 billion fiscal stimulus program, stocks fell on news that inflation in China accelerated at the fastest pace in seven months, as the coldest winter in 28 years caused Chinese vegetable prices to rise."**

I am not making this headline up! Who knew that Chinese vegetable prices could drive down global markets? A good example of news people trying to encapsulate the 'unencapsulatable.'

Here is an update on some general investment themes (but no comments on Chinese vegetables).

We have had a pretty good year thus far. Clients have a good degree of exposure to global stocks, which has helped returns for the past few years now. The enclosed Monthly World Market Report provides good background information on the performance of global vs. lower performing Canadian stocks; we may be near a point where Canadian stock market performance (relative to global stocks) begins to improve. We also agree that gold and resource stocks (the only 'really low' areas of the stock market) should be close to bottoming out.

The enclosed market report also has information on Teck Resources, a model portfolio stock pick of ours and a solid value play at current trading levels.

In our model portfolio 'Index and Stock Strategy' we are increasing exposure to resource stocks and, for the first time, establishing reasonable exposure to gold stocks as stock prices of most gold companies have been crushed. For the first time in our careers, we can consider certain gold stocks as inexpensive 'value type' stocks. Gold stocks may also provide a 'hedge' during times of financial distress. If gold stocks continue to languish, chances are the balance of the portfolio will be performing well, so again, think of them as a bit of hedge for now. We are also increasing exposure to defensive ‘heath care’ stocks.

The enclosed Monthly WorldMarket Report also comments on fixed income investments and our firm’s favoring of corporate over government bonds. We share this opinion and portfolios are set up accordingly. The author points out that strong corporate balance sheets and the ability to refinance at low rates should mean corporations continue to experience below average default rates; and corporate bonds may also perform a bit better than government bonds if interest rates begin increasing. It has been a tough year for bonds as indicated by a slightly negative return in the DEX (government and corporate bond) index. This past summer’s increase in medium and long term interest rates pushed bond prices down. The good news is we can now obtain better yields on investment grade bonds than we could six months back and total fixed income returns experienced by our clients year to date have beat the bond index by a few percentage points.

Real estate investment trusts (REITs) had a somewhat poor year performance wise and at today’s lower trading levels, most now yield an attractive 6% to 9% (a nice yield in today's low interest rate environment). Most also trade about between 5% to 12% below current market value of the real-estate owned. If you have some funds in the bank that you wish invest for the longer term, consider adding a REIT to your portfolio.

At the moment, there are no major risk factors worrying investors so money is being coaxed out of low yielding fixed income into equities. Negotiations to end the civil war in Syria may occur, Iran’s agreement on increased nuclear inspections and the passing (for the moment) of brinkmanship between republicans and democrats over a debt default, has taken some political risk out of the markets—for now.

Given time, something will materialize to rattle investors so expect a pull back at some point. Longer term, we like how client portfolios are set up from a capital preservation standpoint while also being positioned for reasonable long term returns.

We want to welcome Sylvia Gao to our team. Sylvia came to us from the CIBC bank branches at Metrotown & Oakridge, where she worked while in the Accounting program at Kwantlen Polytechnic University. She will be assisting Cheryl and Melanie as she learns the ‘ropes.’

Some semi- frequently asked questions:

What is ‘Miracle Day’ on my trading confirmation?

Each year at this time, we participate in CIBC Wood Gundy’s ‘Miracle Day’ where we channel some client commissions to a children-oriented charity. If you see ‘Miracle Day’ on your trade confirmation, your commission is funding the “Scientist in

Residence Program' (this year at Lord Selkirk Elementary in East Vancouver). Thanks very much for your support!

Who is Greg Johnson? (I thought Neil and John were my advisors.)

If we waive a trade commission (as we do for small trades or if we sell an investment that does not work out well), the 'commission free account' is supervised by our friendly downtown manager, Greg Johnson, thus his name appears on the account as 'advisor.'

When will our little kids get the free $1,200 BC government contribution to an RESP?

BC resident children born 2007 or later will qualify for this free money. The program date has yet to be established, but we hear it will be sometime in 2014 or 2015. All you need to have is an RESP, to qualify. Please call us to set up an RESP if you don't already have one. You will need to apply for a social insurance number for your child.

All the best and as always, we are just a phone call or e-mail (but not yet a tweet) away!

Regards,
CIBC Wood Gundy

Neil Pope, MBA
Investment Advisor, First Vice-President
604-207-8578
neil.pope@cibc.ca

John A. Doyle, CIM, FMA
Associate Investment Advisor
604-207-8585
john.a.doyle@cibc.ca

Melanie Burns
Investment Advisor Assistant
604-207-8583
melanie.burns@cibc.ca

Cheryl Sy, B.Sc.
Investment Advisor Assistant
604-207-8581
cheryl.sy@cibc.ca

Sylvia Gao
Sales Assistant
604-207-8576
sylvia.gao@cibc.ca

Yields/rates are as of December 9, 2013 and are subject to availability and change without notification. Minimum investment amounts may apply.

CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and a Member of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada.

Teck Resources Ltd. is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.
CIBC World Markets Inc. has received compensation for investment banking services from Teck Resources Ltd. in the past 12 months.
CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from Teck Resources Ltd. in the next 3 months.
CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by Teck Resources Ltd..
The equity securities of Teck Resources Ltd. are subordinate voting shares.

CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and a Member of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada.